

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>City of St. Clair Shores District Court Funds of District No. 40</u>	County Macomb
Audit Date June 30, 2004	Opinion Date September 24, 2004	Date Accountant Report Submitted To State: December 13, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Hwy	City Southfield	State Michigan	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

District Court Funds of District No. 40 City of St. Clair Shores, Michigan

**Financial Report
June 30, 2004**

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

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Independent Auditor's Report

To the Honorable Judges
District Court No. 40
St. Clair Shores, Michigan

We have audited the accompanying basic financial statements of the District Court Funds of District No. 40 (a component unit of the City of St. Clair Shores, Michigan) as of June 30, 2004 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the management of the District Court Funds of District No. 40, City of St. Clair Shores, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the District Court Funds of District No. 40, City of St. Clair Shores, Michigan as of June 30, 2004 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The District Court Funds of District No. 40 has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

September 24, 2004

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Governmental Funds Balance Sheet/Statement of Net Assets

Operating Account

June 30, 2004

	Operating Account - Modified Accrual Basis	Adjustments	Statement of Net Assets
Assets - Due from District Control Unit	<u><u>\$ 867</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 867</u></u>
Liabilities - Bank overdraft	<u><u>\$ 867</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 867</u></u>

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Operating Account Year Ended June 30, 2004

	Operating Account - Modified Accrual Basis	Adjustments	Statement of Activities
Revenue			
Funding from District Control Unit	\$ 340,119	\$ -	\$ 340,119
Interest	137	-	137
Total revenue	340,256	-	340,256
Expenditures			
Office supplies	35,571	-	35,571
Operating supplies	17,876	-	17,876
Services	82,093	-	82,093
Phones and communications	27,810	-	27,810
Travel	711	-	711
Printing	20,765	-	20,765
Utilities	4,990	-	4,990
Repairs and maintenance	111,514	-	111,514
Rentals	29,080	-	29,080
Miscellaneous	9,846	-	9,846
Total expenditures	340,256	-	340,256
Excess of Revenue Over Expenditures/ Change in Net Assets	-	-	-
Fund Balance/Net Assets - Beginning of year	-	-	-
Fund Balance/Net Assets - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Budgetary Comparison Schedule - Operating Account Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Funding from District				
Control Unit	\$ 353,550	\$ 331,850	\$ 340,119	\$ 8,269
Interest	-	-	137	137
Total revenue	353,550	331,850	340,256	8,406
Expenditures				
Office supplies	40,000	40,000	35,571	4,429
Operating supplies	61,550	46,550	17,876	28,674
Services	97,000	93,000	82,093	10,907
Phones and communications	34,000	34,000	27,810	6,190
Travel	500	500	711	(211)
Printing	12,000	12,000	20,765	(8,765)
Utilities	9,000	9,000	4,990	4,010
Repairs and maintenance	68,000	65,300	111,514	(46,214)
Rentals	21,000	21,000	29,080	(8,080)
Miscellaneous	10,500	10,500	9,846	654
Total expenditures	353,550	331,850	340,256	(8,406)
Excess of Revenue Over Expenditures	-	-	-	-
Fund Balance - Beginning of year	-	-	-	-
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Statement of Net Assets Fiduciary Funds June 30, 2004

	Agency Funds	
	Bond Account	General Account
Assets - Cash and cash equivalents (Note 3)	<u>\$ 90,865</u>	<u>\$ 307,108</u>
Liabilities		
Due to:		
District Control Unit	\$ -	\$ 201,276
Macomb County	-	77,748
State of Michigan	-	6,601
Refundable bonds	90,865	-
Garnishments, restitution, and other	-	21,483
Total liabilities	<u>\$ 90,865</u>	<u>\$ 307,108</u>

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Notes to Financial Statements
June 30, 2004

Note 1 - Significant Accounting Policies

The accounting policies of the District Court Funds of District No. 40, City of St. Clair Shores, Michigan (the "District Court") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The District Court is governed by two elected judges. There are no component units.

The following is a summary of the significant accounting policies used by the District Court Funds of District No. 40:

The District Court of the City of St. Clair Shores, Michigan is a component unit of the City of St. Clair Shores, Michigan (the "City") and is included in the general purpose financial statements of the City at June 30, 2004.

The operating account of the District Court is a governmental fund. The financial activities of the fund are limited to collection of subsidies and payment of expenditures.

The bond and general accounts of the District Court are Agency Funds. The financial activities of the funds are limited to collection of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Note 2 - Court Operations

The payroll costs relating to the operation of the District Court are a budgeted item of the City of St. Clair Shores, Michigan General Fund and, accordingly, such costs are paid by the City's General Fund. All other costs are paid from the operating account of the District Court.

Note 3 - Cash and Cash Equivalents

The District Court's cash and cash equivalents at June 30, 2004 are reported as follows in the basic financial statements.

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Fiduciary funds	\$ 302,082	\$ 95,891	\$ 397,973

District Court Funds of District No. 40

City of St. Clair Shores, Michigan

Notes to Financial Statements
June 30, 2004

Note 3 - Cash and Cash Equivalents (Continued)

Investments are composed entirely of bank investment pools, which are not categorized as to level of risk because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act and the fair value of the position in the pool is the same as the value of the pool shares.

These above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$305,248. Of that amount, \$100,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The District Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District Court evaluates each financial institution with which it deposits District Court funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Budget Information

The budget of the operating account is prepared by the District Court management and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a total expenditure basis, which reflects the District Court's activity; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The budget statement has been presented on a line-item basis for informational purposes.